

Congressional Attitudes to Evidence-based Policymaking: An Historical Review

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Types of Evidence for Policymaking

- Descriptive – describe conditions and trends
- Explanatory – identify factors leading to context
- Anticipatory – project trends, what-if
- Evaluative – assess effect of interventions on outcomes
- Formulaic – insert data to determine action

Themes

- Since its founding, many Members of Congress have had an interest in evidence for policymaking
- From founding through 1970s, Congress regularly expanded Federal evidence-generating capacity
- From founding to present, many Members have had distaste for or indifference to evidence
- Members' attitudes about evidence depends on their perceived impact of that evidence on their perceived political interests
- Question for LBCWG: How might Members be encouraged to seek and rely on good evidence for policymaking?
 - "Skin in the game": The case of congressional tariff-setting, 1789-1934

Prologue: Influences on Early Congressional Pro-evidence Attitudes

- Invention of “political arithmetic” in 1690s England by Petty and Davenant to calculate Crown’s optimal tariffs and taxes
- Ben Franklin’s use of political arithmetic to estimate population growth
- German invention of survey-based statistics in 1700s – “science of dealing with data about the condition of a state or community”
- Sinclair’s “Statistical Accounts of Scotland” in 1790s to measure “quantum of happiness” in Scotland and identify ways to improve

Descriptive Evidence

- **Decennial Census/American Community Survey**
- Economic Census

American Community Survey – James Madison (1790)

- [Congress] had now an opportunity of obtaining the most useful information for those who should hereafter be called upon to legislate for their country if this bill [Census Act of 1790] was extended so as to embrace some other objects besides the bare enumeration of the inhabitants.
- It would enable them to adapt the public measures to the particular circumstances of the community.

Congressman Madison

- In order to know the various interests of the United States, it was necessary that the description of the several classes into which the community was divided, should be accurately known.
- [O]n this knowledge the legislature might proceed to make a proper provision for the agricultural, commercial and manufacturing interests, but without it they could never make their provisions in due proportion.

Congressman Madison

- This kind of information . . . all legislatures had wished for; but this kind of information had never been obtained in any country.
- He wished, therefore, to avail himself of the present opportunity of accomplishing so valuable a purpose.
- If the plan was pursued in taking every future census, it would give [Congress] an opportunity of marking the progress of the society, and distinguishing the growth of every interest. This would furnish ground for many useful calculations.

Congressman Madison

- Mr. Page (VA) thought this particular method of describing the people, would occasion an alarm among them; they would suppose the Government intended something . . . besides gratifying an idle curiosity . . . all their measures are suspected of policy.
- Madison: [T]he people would suppose the information was required for its true object, namely to know in what proportion to distribute the benefits resulting from an efficient General Government.

1850 Census Debate

- Sen. Clarke (W-RI): The census, as proposed to be taken, embraces a great variety of statistical information, needful, useful, indispensable, in my estimation, to correct legislation. Our power to collect this information is denied; its utility when gathered impugned; and its accuracy when collected questioned in advance.

1850 Census Debate

- Cong. Woodward (D-SC): How old a person was, how much property he had, how many children his wife had lost, were questions annoying to a sensitive mind, even when put by a private person, and much more so when demanded with a penalty by a censor of the Government for publication. Having gone thus far, who knew where they would stop?

1850 Census Debate

- Cong. Cartter (D-OH): The tables embrace a call for information of a substantial character. A proper answer to them will furnish knowledge necessary to the proper understanding of the rapidly-unfolding resources and diverse interests of the country-information important to the citizens of the nation in their daily business relations, and indispensable to a correct discharge of our duty as Representatives of the people. We enact no law that does not affect the interests of some portion of the country, especially appropriations affecting the Treasury. It is obvious to every member here, that the correct discharge of legislative duty must depend upon a full understanding of these varied interests of the country.

RNC Resolution ACS (2010)

- WHEREAS, the U.S. Census Bureau has, over the years, progressively added more and more "survey questions" to the census, going far beyond the scope of just counting people; and,
- WHEREAS, the twenty-eight (28) page ACS is an invasion of privacy that demands detailed personal information that the government has no business seeking, knowing, or compiling; and,
- WHEREAS, specific questions about the respondent's personal finances are asked, including the value of their home, their yearly income from all sources, what they paid in personal property taxes, their mortgage payment, and what insurance they have, etc.; and,

RNC Resolution ACS (2010)

- RESOLVED, the Republican National Committee recognizes that the Census Bureau has gone far above and beyond the constitutionally intended purpose of enumerating people and is conducting a dangerous invasion of privacy by the overreaching and intimidating implementation of the American Community Survey; and be it further
- RESOLVED, the Republican National Committee recognizes that the Census Bureau is spending millions of tax dollars to violate the rights and invade the personal privacy of United States Citizens; and be it further
- RESOLVED, the Republican National Committee supports either the elimination of the American Community Survey or the enactment of HR 3131 . . . which would make any response to the ACS voluntary

Cong. Webster on ACS (2012)

- Madam Chair, the amendment offered here by myself and Mr. Langford is simple. It prohibits taxpayer funds from being used to conduct the intrusive, unconstitutional American Community Survey.
- Some of the questions which have already been gone over that the American Community Survey contains have been routinely criticized as invasions of privacy.
- This American Community Survey is an inappropriate use of taxpayer dollars. It is the very picture of what's wrong in DC.

Senate Appropriations (2015)

- The Committee supports the ACS and directs the Bureau to continue using the ACS as a testbed for innovative survey and data processing techniques that will help to save money and reduce risk during the 2020 Census cycle.
- The Committee also notes that ACS is often the primary or only source of data available to States, localities, and Federal agencies that need adequate information on a wide range of topics, including the needs of veterans, retirees, and families with school-age children in order to reliably serve those constituents.
- ACS is especially important to Americans who live in small towns and rural areas, as this survey provides the only reliable and consistent source of information about these communities.

Descriptive Evidence

- Decennial Census/American Community Survey
- **Economic Census**
- Statistics Bureau

Roots of Economic Census (1809-10)

- In 1809, Congress told Treasury Secretary Albert Gallatin to prepare “a plan . . . for the purpose of protecting and fostering the manufactures of the United States,” together with a description of the state of the nation’s manufacturing industries.
- After a declaration of the importance of manufacturing growth to the nation, a general analysis of its competitive position, and the weakness of the argument that the government should not interfere in the workings of the market, the report recommended implementation of policies targeted to particular industries—bounties, moderate tariffs, and federal loans, as “want of capital is the principal obstacle to the introduction and advancement of manufactures in America”

Roots of Economic Census (1809-10)

- Gallatin found that the quality of information available for the manufacturing plan was “partial and defective.” “To obtain detailed and correct information,” he recommended that Congress amend the just-passed Census Act of 1810 to add a census of manufactures.
- Congress did so. The 1810 Census of Manufactures became the basis for today’s quinquennial Economic Census.

Descriptive Evidence

- Decennial Census/American Community Survey
- Economic Census
- **Statistics Bureau**

Statistics Bureau (1866)

- Rep. James Garfield (R-OH): Now when a question comes up here and I am asked to say whether the tariff on a given article shall be ten percent or a hundred percent, I want to know all the circumstances and all the facts about the article; where it is produced, whether we can produce it or not, what price it bears in the market, what capital is invested in producing it, and all the other circumstances connected with it. But now I am compelled to come here with empty hands, and I cannot from all the volumes of our Library find out what I desire to know. . . .

Statistics Bureau (1866)

- Rep. John Kasson (R-IA): Now, sir, no legislation touching the commerce of the country is of any account unless it rests upon statistics of our own production and commerce and the production and commerce of other countries. And those statistics should be recent, as gentlemen around me remark, in order that we may keep up in the great commercial race with the other nations of the world.

Explanatory Evidence – NSF

- NSF's Division of Social and Economic Sciences seeks to enhance the understanding of individual, social, and organizational behavior by creating and sustaining social science infrastructure, and by supporting disciplinary and interdisciplinary research that advances knowledge in the social and economic sciences.
- SES promotes research, infrastructure, and training in three disciplinary programs - Economics, Political Science, and Sociology and seven interdisciplinary ones: Cultivating Cultures for Ethical STEM; Decision, Risk and Management Sciences; Law and Social Science; Measurement, Methods, and Statistics; Science of Organizations; Science, Technology, and Society; and Secure and Trustworthy Cyberspace.

Anticipatory Evidence

- **Office of the Special Revenue Commission (1866-69)**
- Office of Technology Assessment
- Congressional Budget Office

Special Revenue Commissioner

- In 1866, Congress created the Office of the Special Commissioner of the Revenue in the Treasury Department to provide advice to Congress on tax and tariff rates, revenue collection methods, and, more broadly, “such other facts pertaining to the trade, industry, commerce, or taxation of the country . . . conducive to the public interest.”
- David Wells was appointed Special Commissioner.

Special Revenue Commissioner

- In his 1869 annual report, Wells was direct and emphatic regarding the need for U.S. currency to be based on specie (not fiat) and the need to reduce tariffs to promote economic well-being. On the latter subject, Wells forcefully wrote that many tariffs served the parochial interests of industry, not the nation.
- Wells' views did not accord with those of the pro-tariff, pro-fiat Republican majorities in Congress. He was pilloried by a number of members and Congress discontinued his office in 1870.

Anticipatory Evidence

- Office of the Special Revenue Commission (1866-69)
- Office of Technology Assessment
- Congressional Budget Office

Evaluative Evidence

- General Accounting Office/Government Accountability Office
- Government Performance and Results Act (1993, 2010)
- Administrative Records Clearinghouse for the Evaluation of Federal and Federally-Sponsored Programs – Census Bureau FY2016 initiative approved by Congress
- Commission on Evidence-based Policymaking Act of 2016 (PL 114-140)

Formula-using Evidence

- **Scientific Tariff-setting (1882-1916)**
- Decennial Census-guided funds distribution

Scientific Tariff-setting

- Tariff-setting was the second most contentious policy matter of the 19th century.
 - High fiscal reliance
 - Differential benefits by geography
- For a century, Congress progressively pursued a set of evermore sophisticated approaches to provide the information needed to set tariffs:
 - Mandated annual trade reports (1790s forward)
 - Manufacturing plans (1791, 1810, 1815, 1832)
 - Annual economic report (1844)
 - Special Revenue Commissioner (1866)
 - Statistics Bureau (1866)
 - Tariff Commission (1882)

Scientific Tariff-setting

- Congress was frustrated by evidence it found to be incomplete and inaccurate
- The 1882 Tariff Commission suggested that Congress should set tariffs to equalize foreign and domestic production costs, and that this could be done “scientifically”—that is, on the basis of data, not politics.

Scientific Tariff-setting

- In 1888, Congress directed the new Department of Labor to produce the data needed for scientific tariff-setting:
 - “[T]he Commissioner of Labor . . . is specially charged to ascertain, at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States, in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost, or approximate cost, of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of the manufacturers and producers of such articles; and the comparative cost of living, and the kind of living.”

Scientific Tariff-setting

- After 30 years' experience with scientific tariff-setting efforts, in 1916 Congress created the U.S. Tariff Commission to conduct scientific studies for use by Congress.
- After the disastrous experience with the Smoot-Hawley Tariff of 1930, Congress delegated responsibilities for tariff-setting to the Executive Branch in 1934, where it has remained.
- In the absence of exercising their tariff-setting powers, Members of Congress have shown less interest in the Federal statistical system, particularly since the 1980s.

Formula-using Evidence

- Scientific Tariff-setting (1882-1916)
- **Decennial Census-guided funds distribution**

Census-guided Funding

- As directed by Congress, several hundred federal financial assistance programs rely on data derived from the Decennial Census to guide the geographic distribution of funds.
- In FY2015, \$589.7 billion was distributed from the 16 largest Census-guided programs, including Medicaid, SNAP, Medicare physicians reimbursement, highways, Section 8, WIC, and Head Start.

Coda: Recent Congressional Indifference to Evidence

- 1986 – Senator Sarbanes and Congressman Obey propose substantial upgrade of federal statistical system, including coverage of services.
- 1989 – President Bush approves Economic Statistics Initiative, with services coverage as the “highest priority.”
- FY1991-FY1997 – Census Bureau asks Congress 7 times for funds to survey all services industries annually.
- FY2003-FY2009 – Census Bureau asks Congress 6 times for funds to survey all services industries annually and quarterly.
- March 2009 – Congress fully funds Census FY2009 request of \$8.1 million.

**BETTER INFORMATION AS A TOOL FOR ECONOMIC GROWTH;
A PLAN FOR IMPROVING THE NATION'S STATISTICAL INFRASTRUCTURE**

**CONGRESSMAN DAVID R. OBEY
AND
SENATOR PAUL S. SARBANES**

June 20, 1986

America's lack of information about itself has increasingly become an impediment to national economic growth. The Federal Government has failed for more than a decade to make the small investments required to update and improve our capacity to collect, organize, and disseminate accurate and relevant statistical information.

A review of our national data collection efforts with regard to the American labor force and American businesses would lead one to believe that we are still a society of blue collar workers primarily engaged in manufacturing. While we continue carefully to count the number of people employed in the textile industry who are engaged in sewing on snaps as opposed to those who stitch sleeves, we have no information on how many Americans now work in computer sales.

Department of Commerce

Budget in Brief

Fiscal Year 2004

In addition to these cyclical changes in activity, the Census Bureau is requesting funding in FY 2004 to launch new program specific initiatives that will significantly improve the breadth and quality of the information it collects and provides to the country. The Census Bureau has carefully identified major segments of our economy and population that are not currently adequately measured. This gap hinders effective policy and decision-making across a broad spectrum of interests. The Bureau believes that a relatively modest investment will yield tremendous gains in understanding complex interactions affecting millions of people and jobs

	<u>Base</u>		<u>Increase / Decrease</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Current Economic Statistics	1,465	\$148,982	+45	+\$7,300
Improved Measurement of Services			+39	+\$4,000

The first phase of this initiative included activities covered in the FY 2003 budget request for Improved Measurement of Services in the New Economy. Phase 2, covered by this FY 2004 initiative, will provide BEA with new key source data on the service sector needed to improve the critical quarterly and annual estimates of our Nation's GDP. This initiative will expand annual coverage of services industries, increase coverage of the new quarterly principal economic indicator of service industry activity, and provide annual merchandise line data for selected retail and wholesale trade industries. This expansion provides a comprehensive framework for gathering information on services and improves the periodicity and detail of service sector statistics.

Taking the Pulse of the Economy: Measuring GDP

J. Steven Landefeld, Eugene P. Seskin, and
Barbara M. Fraumeni

In the United States, the GDP and the national accounts estimates are fundamentally based on detailed economic census data and other information that is available only once every five years. The challenge lies in developing a framework and methods that take these economic census data and combine them using a mosaic of monthly, quarterly, and annual economic indicators to produce quarterly and annual GDP estimates.

Another problem is some data are simply not available for the earlier estimates. For the initial monthly estimates of quarterly GDP, data on about 25 percent of GDP—especially in the service sector—are not available, and so these sectors of the economy are estimated based on past trends and whatever related data are available.

Table 2: Annual Percent Change in Quarterly Estimates of Real GDP
2008Q1-2009Q2

Quarter	Annual Rate of Change			
	<u>Advance</u>	<u>Final</u>	<u>Latest</u>	<u>Latest minus Final</u>
2008Q1	0.6	1.0	-1.8	-2.8
2008Q2	1.9	2.8	1.3	-1.5
2008Q3	-0.3	-0.5	-3.7	-3.2
2008Q4	-3.8	-6.3	-8.9	-2.6
2009Q1	-6.1	-5.5	-5.3	+0.2
2009Q2	-1.0	-0.7	-0.3	+0.4

Figures in orange were available to Romer and Bernstein on January 10, 2009. Figures in orange and green were available to Congress when it passed the Recovery Act on February 13, 2009.

The New York Times

Fed Misread Crisis in 2008, Records Show

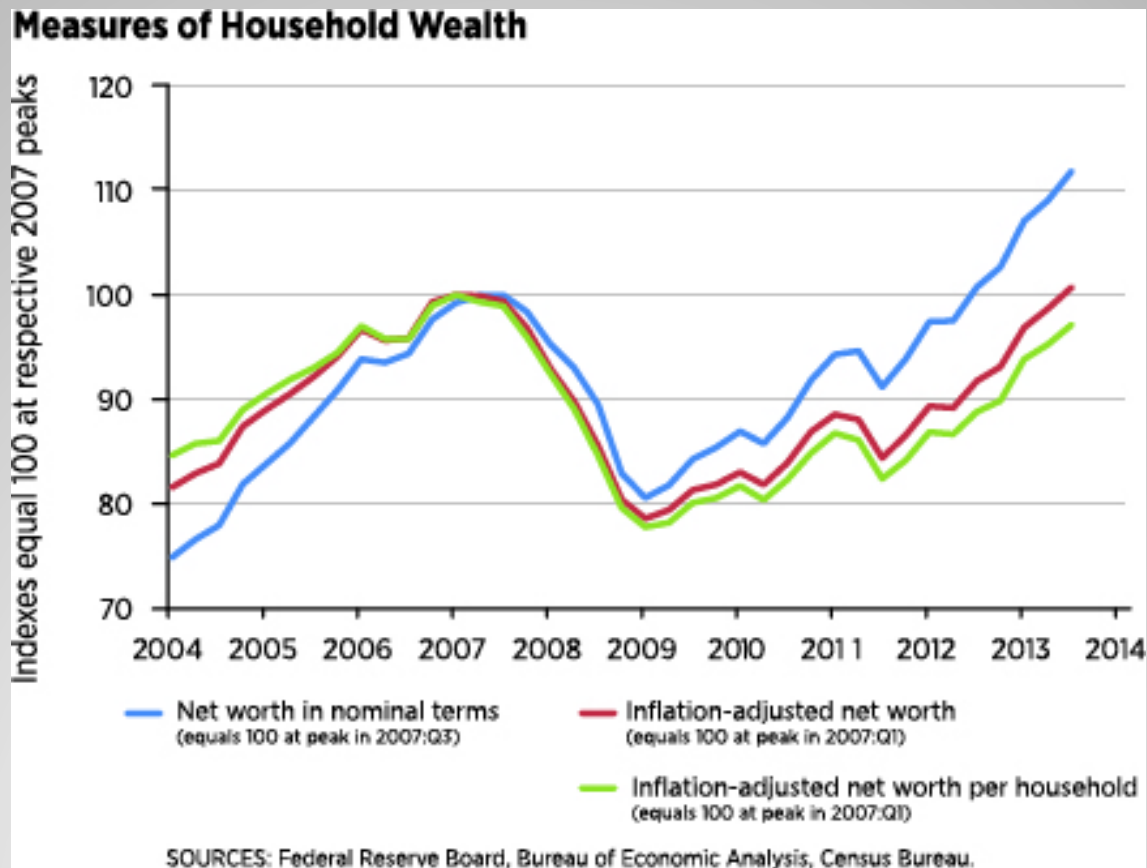
By BINYAMIN APPELBAUM FEB. 21, 2014

WASHINGTON — On the morning after Lehman Brothers filed for bankruptcy in 2008, most Federal Reserve officials still believed that the American economy would keep growing despite the metastasizing financial crisis.

The Fed's policy-making committee voted unanimously against bolstering the economy by cutting interest rates, and several officials praised what they described as the decision to let Lehman fail, saying it would help to restore a sense of accountability on Wall Street.

The hundreds of pages of transcripts, based on recordings made at the time, reveal the ignorance of Fed officials about economic conditions during the climactic months of the financial crisis. Officials repeatedly fretted about overstimulating the economy, only to realize time and again that they needed to redouble efforts to contain the crisis.

Change in Household Wealth, 2004-2014



Enhancing Public Understanding of Revisions to Preliminary Estimates

The U.S. Post-Recession Perspective on Revisions

Brent Moulton and Dennis Fixler

IARIW 32nd General Conference

Boston

August 8, 2012

Revisions to the 2007–2009 recession

- Revisions were unusually large
 - Early estimates significantly understated the extent of the decline
 - Revisions exposed gaps in data used for early estimates
- Some revisions came quickly as actual data replaced assumptions and indicators were revised
 - 2008Q4 – revised from –3.8% (Jan 30, 2009) to –6.2% (Feb 27, 2009)
- Other revisions came later with annual revisions
 - In July 2011, 2008Q4 was revised to –8.9%
 - Total revision from advance to latest (5.1 percentage points) is the largest downward GDP revision on record

Interaction between revisions and policy

- Analysis to answer the question: If we knew then what we know now, how would policy have been different?
- The importance of timing; revision release dates and formulation of policy
- Timing of advance 2008Q4 GDP estimate doesn't coincide with ARRA legislation
 - ARRA formulated in December 2008
 - Passed House on January 28 (2 days before GDP)
- Estimates for 2008Q3 may have had an effect

Overview of Service Statistics Program

Frequency and Coverage: Where We Will Be Next Year

Program	Frequency	Coverage in March 2009		Coverage by March 2011	
		Sectors	% of GDP	Sectors	% of GDP
Economic Census	5 years	12	55%	12	55%
Service Annual Survey	Annually	7 complete 3 partial	30%	12	55%
Quarterly Services Survey	Quarterly	3 complete 1 partial	17%	12	55%

Service Annual Survey Expansion

Timeline

NAICS	Mail	Publish
Utilities, Air Transportation, Water Transportation, Transit and Ground Transportation, Pipeline Transportation, Scenic and Sightseeing Transportation, Transportation Support, <u>Monetary Authorities-Central Banks, Commercial Banking, Savings Institutions, and Nondepository Credit Intermediation, Security and Commodity Exchanges, Real Estate, Insurance Carriers, Lessors of Nonfinancial Intangible Assets, and Educational Services</u> (22, 481, 483, 485, 486, 487, 488, 521, 522, 5232, 524, 531, 533, 61)	January 2010	First quarter 2011

Economic and Statistical Analysis

FY 2013 Budget in Brief

Highlights of Program Changes

	<u>Base</u>		<u>Increase / Decrease</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Quarterly GDP by Industry	0	\$0	2	+\$500

Producing GDP by industry on a quarterly basis will provide real-time information on the health and stability of every sector in the U.S. economy. By identifying real-time fluctuations across sectors, government and businesses will have a comprehensive set of statistics on which to base policy decisions and critical business investments.

The Federal economic statistical system – charged with providing key actionable intelligence on the status, trends, and dynamics of the American economy – fell short in providing the advanced warning signs of a building economic crisis. In no small part, this was due to an inability to see, both at the detailed and aggregate levels, warning signs of systematic risk. This shortcoming was not a result of a lack of attention, competence, or focus, but rather the exceptional tempo of change and evolution occurring in the economy and the existing statistical system's inability to keep pace.

The addition of GDP-by-Industry statistics on a quarterly basis will enable policymakers to quickly identify fluctuations across sectors and thus improve the ability to understand and target responses to a given sector's economic position. These key data will also help inform business investment decisions, providing more effective real-time information that will help small business improve their growth potential. They will also provide an early tool to evaluate the economic performance of U.S. industries.



NEWS RELEASE



EMBARGOED UNTIL RELEASE AT 8:30 A.M. EDT, FRIDAY, APRIL 25, 2014

NEW QUARTERLY STATISTICS DETAIL INDUSTRIES' ECONOMIC PERFORMANCE *Statistics Span First Quarter of 2005 through Fourth Quarter of 2013 and Annual Results for 2013*

The Bureau of Economic Analysis released today – for the first time – gross domestic product (GDP) by industry for 22 industry sectors on a quarterly basis. These new statistics fill an important gap in U.S. federal economic statistics by providing timely information on how individual industries contributed to U.S. economic growth in a given quarter. These new data also provide businesses with a comprehensive and consistent tool for assessing how their industries are faring compared to other industries. Policymakers, businesses, and academia will be able to use the statistics to quickly identify economic turning points, improving their ability to understand a given sector's performance.

Percent Changes in Real Value Added by Selected Industries, U.S., 2007Q1-2009Q4

Seasonally Adjusted at Annual Rates (Source: BEA, April 25, 2014)

Line		2007	2007	2007	2007	2008	2008	2008	2008	2009	2009	2009	2009
		I	II	III	IV	I	II	III	IV	I	II	III	IV
1	Gross domestic product	0.3	3.1	2.7	1.5	-2.7	2.0	-2.0	-8.3	-5.4	-0.4	1.3	3.9
2	Private industries	0.4	2.6	2.4	0.9	-3.3	1.2	-3.2	-9.3	-5.5	-0.6	1.7	3.5
3	Construction	-0.1	6.2	-4.4	-8.1	-15.7	-4.8	-3.9	-21.0	-25.6	-4.5	5.7	-14.0
4	Manufacturing	-2.5	6.5	8.6	-0.1	-15.8	11.7	-15.2	-18.0	-19.6	3.4	7.8	15.3
5	Durable goods	-0.8	9.5	10.2	0.8	-4.4	0.0	-4.6	-23.0	-31.6	-10.9	2.0	15.0
6	Nondurable goods	-4.8	2.9	6.8	-0.9	-27.9	27.7	-26.5	-11.7	-3.2	21.5	14.4	15.7
7	Wholesale trade	1.1	9.8	1.7	5.9	-1.3	-2.5	-7.8	-17.9	-24.1	-12.8	-1.4	14.3
8	Retail trade	-5.9	-8.5	2.9	2.2	-8.0	-4.4	-5.0	-11.6	0.1	-0.4	-0.2	7.9
9	Transportation and warehousing	-11.1	14.3	-8.8	22.3	-0.9	-5.7	-1.4	-25.1	-21.2	14.7	4.3	8.1
10	Finance and insurance	4.6	-8.4	-11.0	-21.7	8.9	-21.9	-18.1	-32.2	123.9	34.3	7.0	-5.7
11	Professional, scientific, and technical services	1.5	-0.5	12.1	12.6	7.8	7.7	4.6	-4.4	-14.6	-9.7	-3.7	-3.1
12	Management of companies and enterprises	3.5	-10.0	-1.9	0.8	-4.1	7.6	3.9	-5.7	-36.1	6.6	10.3	2.6
13	Administrative and waste management services	2.7	9.3	9.5	4.9	-5.6	2.1	0.3	-10.1	-14.1	-5.5	-1.9	3.1
14	Government	0.3	0.9	1.5	2.6	2.5	1.4	2.5	-1.5	-0.4	2.4	0.3	1.0
15	Addenda:												
16	Private goods-producing industries/1/	-1.8	6.1	1.7	-2.4	-13.2	3.6	-7.9	-3.9	-16.4	-3.0	7.0	3.5
17	Private services-producing industries/2/	1.2	1.6	2.6	2.0	0.0	0.5	-1.6	-10.9	-2.0	0.1	0.3	3.4

Observation and Question

- Members' desire for reliable evidence is a function of their respective perceptions that the availability of such evidence will help them achieve their political ends.
- What actions could the Legislative Branch Capacity Working Group take to encourage Members to seek and use reliable evidence on topics of interest and concern?
- I'm happy to work with the LBCWG to answer this question.

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